

Message Text

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TAGS: EFIN, TU

SUBJECT: TURKISH FINANCE MINISTER MUEZZINOGLU'S MEETING WITH
COUNSELOR NIMETZ, MARCH 23, 1978

1. TURKISH FINANCE MINISTER MUEZZINOGLU CALLED ON DEPT
COUNSELOR NIMETZ MARCH 23, SHORTLY AFTER SIGNING A LETTER OF
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INTENT TO ENTER INTO A STANDBY AGREEMENT WITH THE IMF
(SEPTEL). MUEZZINOGLU ALSO HAD MEETINGS MARCH 23 WITH
TREASURY SECRETARY BLUMENTHAL AND WITH EXIM CHAIRMAN MOORE
(SEPTELS). MUEZZINOGLU WAS ACCOMPANIED TO NIMETZ MEETING
BY AMBASSADOR ESENBEL AND FINANCE MINISTRY OFFICIAL AYSEL
OYMEN.

2. NIMETZ CONGRATULATED MUEZZINOGLU ON SUCCESSFUL CONCLUSION OF NEGOTIATIONS WITH IMF AND SAID HE ALSO HAD BEEN IMPRESSED BY DECISIVENESS SHOWN BY ECEVIT GOVERNMENT IN DEVELOPING ITS ECONOMIC PROGRAM AND MOVING QUICKLY TO CONCLUDE AGREEMENT WITH FUND. MUEZZINOGLU EXPRESSED APPRECIATION FOR THE WORK OF THE IMF STAFF AND FOR THE ATTITUDE WHICH THE USG HAD ADOPTED.

3. IN RESPONSE TO A QUESTION, MUEZZINOGLU INDICATED THAT THERE WOULD BE A JOINT TURKEY-IMF PRESS ANNOUNCEMENT ONLY WHEN THE AGREEMENT HAD BEEN APPROVED BY THE IMF BOARD (IN

TWO OR THREE WEEKS, BUT HE INTENDED TO BRIEF THE TURKISH PRESS LATER MARCH 23.

4. MUEZZINOGLU SUGGESTED THIS MIGHT BE A GOOD TIME FOR A USG ANNOUNCEMENT TO QUELL RUMORS OF AN "ECONOMIC EMBARGO" AGAINST TURKEY. NIMETZ EXPRESSED RELUCTANCE TO INITIATE SUCH AN ANNOUNCEMENT, BUT SAID IT MIGHT BE POSSIBLE TO MAKE SAME POINT IN RESPONSE TO A PRESS QUESTION. (SUCH A RESPONSE WAS MADE AVAILABLE BY DEPT PRESS OFFICE MARCH 24, STATE 77141.) MUEZZINOGLU SAID HE MIGHT AT SOME POINT SAY THAT HE HAD MET WITH SECRETARY BLUMENTHAL AND WITH NIMETZ, AND THAT BOTH HAD DENIED EXISTENCE OF ANY "ECONOMIC EMBARGO".

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5. MUEZZINOGLU SAID HE WOULD BE GOING TO NEW YORK MARCH 24 TO SEE CITIBANK, CHASE AND MORGAN GUARANTY EXECUTIVES. HE SAID HE HAD SOUGHT A USG "GREEN LIGHT" FROM SECRETARY BLUMENTHAL, BUT THAT THE LATTER'S RESPONSE, WHILE INDICATING A POSSIBLE USG ATTITUDE, STRESSED THE INDEPENDENCE OF THE U.S. BANKS. NIMETZ SAID THE USG COULD NOT URGE BANKS TO DO PARTICULAR BUSINESS. WE DID, HOWEVER, TAKE AS POSITIVE AN APPROACH AS POSSIBLE WHENEVER ASKED ABOUT OUR VIEW ON THE LONG-TERM POLITICAL AND ECONOMIC PROSPECTS OF TURKEY. NIMETZ MENTIONED THE IMPACT ON INTERNATIONAL BUSINESS AND FINANCIAL COMMUNITY ATTITUDES OF PROBLEMS WHICH U.S. AND FOREIGN FIRMS HAVE IN TURKEY. HE URGED THE GOT TO TRY TO SETTLE THESE PROBLEMS AND THEREBY IMPROVE THEIR RELATIONS WITH U.S. FIRMS.

6. MUEZZINOGLU STRESSED THE IMPORTANCE OF GENERATING FRESH MONEY, BEYOND THE REFINANCING OF CURRENT SHORT-TERM LIABILITIES. THIS WOULD HELP TO BUILD CONFIDENCE WITHIN TURKEY IN THE ECONOMIC STABILIZATION PROGRAM, AND IN THE ABILITY OF THE CENTRAL BANK TO HANDLE ITS CASH FLOW. IT WOULD ALSO HELP MAINTAIN ECONOMIC ACTIVITY BY ALLEVIATING SHORTAGES OF RAW MATERIALS AND SPARE PARTS.

7. MUEZZINOGLU MENTIONED THE PROPOSED RESTRUCTURING OF SHORT-TERM ARREARAGES ON EXIM-INSURED CREDITS. NIMETZ SAID THAT EXIM MUST OPERATE ON BANKING PRINCIPLES IN LINE WITH ITS CHARTER AND HAD LIMITED FLEXIBILITY IN SUCH MATTERS. HE URGED MUEZZINOGLU TO TRY TO WORK OUT THIS MATTER DIRECTLY WITH EXIM AND HOPED THAT THE TURKISH FINANCE MINISTER WOULD USE HIS MEETING WITH EXIM PRESIDENT MOORE LATER MARCH 23 FOR THAT PURPOSE.

8. MUEZZINOGLU EXPRESSED INTEREST IN REACTIVATING, AS SOON AS POSSIBLE, THE OECD CONSORTIUM FOR TURKEY IN ORDER

TO CONSOLIDATE DEBTS AND TO GET NEW PROJECT FINANCE. OTHER
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MODES, HE SAID, WOULD TAKE TIME TO ORGANIZE. NIMETZ INDICATED THAT WE COULD NOT MAKE A COMMITMENT AT THIS TIME. WE HAD PREVIOUSLY WONDERED WHETHER OECD CONSORTIUM WAS THE MOST USEFUL MODE OF MULTILATERAL COOPERATION. WE WOULD ACTIVELY STUDY THE QUESTION AND ADVISE THE GOT OF OUR VIEW AS SOON AS POSSIBLE.

9. NIMETZ SUGGESTED THAT PRIVATE INVESTMENT WOULD APPEAR TO BE AN EXCELLENT SOURCE OF LONG-TERM CAPITAL. HE NOTED, HOWEVER, THAT TURKISH RULES AND PROCEDURES DISCOURAGE FOREIGN INVESTMENT. MUEZZINOGLU ACKNOWLEDGED THAT DESPITE A LIBERAL INVESTMENT LAW, THE PROCEDURES ARE COMPLEX, BUT INDICATED THAT IMPROVEMENTS COULD BE MADE AS THE PRESENT GOVERNMENT, UNLIKE ITS PREDECESSOR, FAVORS FOREIGN INVESTMENT IN ITS PROGRAM.

10. MUEZZINOGLU BRIEFLY DISCUSSED U.S. AID TO PORTUGAL (STATE 067179) BUT INDICATED HE UNDERSTOOD CURRENT PROBLEMS WITH ANY SIMILAR PROGRAM FOR TURKEY AT THIS JUNCTURE. NIMETZ RESPONDED THAT THE NEW IMF FACILITIES DESIGNED TO HANDLE SEVERE PROBLEMS WERE NOT IN PLACE AT THE TIME OF THE PORTUGAL LOAN PROGRAM. ESENBEL INDICATED THAT TURKEY HOPED THAT WHEN THE TIME IS RIGHT WE WOULD BE WILLING TO ACT APPROPRIATELY.

11. NIMETZ SAID WE HOPED THAT AFTER IMPORTANT FIRST STEP OF THE IMF LETTER OF INTENT/AGREEMENT, THERE WOULD BE ADDITIONAL STEPS WHICH WOULD ALLEVIATE IMMEDIATE PROBLEMS SUCH AS REFINANCING NEGOTIATIONS WITH COMMERCIAL BANKS. WE WOULD CONTINUE TO FOLLOW THE SITUATION CLOSELY IN THE COMING MONTHS. WE WOULD NEED HARD DATA ON THE ECONOMIC SITUATION. MUEZZINOGLU INDICATED THIS COULD BE PROVIDED.
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